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TAGS: [CM](#) [EAGR](#) [ECON](#) [EFIN](#) [EMIN](#) [EPET](#) [ETRD](#)  
SUBJECT: CAMEROON INCREASINGLY WORRIED ABOUT THE GLOBAL  
ECONOMIC CRISIS

REF: A. YAOUNDE 108  
[1](#)B. YAOUNDE 216  
[1](#)C. 08 YAOUNDE 1032

[1](#)1. (SBU) Summary: In a recent trip to the South West and Littoral Regions (Cameroon's economic heartland), Pol/Econ Chief found increasing nervousness about the potential impact of the global economic crisis on Cameroon's economy. The oil, timber, cotton, coffee and rubber sectors (which together account for over 70% of total exports) are already suffering, with an attendant impact on national revenues and the balance of payments. These sectors are also large employers and economic strain could bring greater social tensions. Contacts voiced worries that the difficulty of raising international capital would cause problems for some investment projects. Much of the economy, however, has not been touched by the global crisis, including cocoa and banana exports and the large subsistence agriculture sector. End summary.

Some Senior Contacts Concerned  
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[1](#)2. (U) Governors in the Southwest and Littoral regions voiced concern that the economic crisis would hurt the country. In Douala, outspoken Cardinal Christian Tumi predicted the economic crisis would worsen poverty and social sector development. The Secretary General of the major business chamber GICAM affirmed that the global crisis hit Cameroon in January, predicting it would fuel a budgetary crisis and seriously exacerbate social tensions.

[1](#)3. (SBU) Contacts in the regions were concerned that senior levels of the Government of Cameroon (GRC) are insufficiently focused on the potential impact of the global crisis. The General Manager of the Cameroon Development Corporation (CDC) decried the lack of leadership on economic issues, asking rhetorically "who's in charge?" He hoped the GRC would study the current world environment and adopt a realistic posture but so far he has observed "international hibernation". Regional Governor of Littoral Fai Yengo Francis was also frustrated that the Finance Minister had not acknowledged the scope of the economic risks Cameroon now faces.

Major Exports Hurting  
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[1](#)4. (U) Oil exports accounted for 53% of total exports and 26% of total Government of Cameroon (GRC) revenues in 2008. While export levels have been relatively stable, this year's near halving of world prices will seriously hurt revenues. The World Bank estimates that the price drop will cost Cameroon 320 million dollars in lost revenue in 2009,

equivalent to about 7 percent of the total budget.

15. (U) European and Asian demand for Cameroonian timber products (used mainly for construction) has reportedly dropped dramatically. While timbering of trees continues relatively unaffected, much of the wood in Cameroon is piling up in Douala warehouses or being sold at discount rates in Asia and Europe. According to statistics from GICAM, lumber and timber product exports, which account for 14% the country's total export revenues, fell almost 10% in the second half of 2008. Some contacts believe exports may drop by as much as 40% in 2009.

16. (U) The cotton sector has been declining for the past four years. Cotton exports declined by 47% in the past two years alone, suffering from a drop in world prices and problems internal to this sector (ref C). While cotton exports account for only about 2% of total exports, the sector employs an estimated 300,000 Cameroonians and suffered a further 17.5% drop in exports in the last trimester of 2008. A senior official at Sodecoton, Cameroon's sole cotton marketer, told us that international buyers have canceled all the cotton sales contracted for in September, valued at nearly \$14 million, citing the global financial crisis. Sodecoton expects it will have to discount its large stocks by half price at a time when fertilizer prices have doubled.

17. (U) Rubber exports also fell, with the recent contract cancellation by Michelin tire company (a major buyer of Cameroonian rubber), resulting in a 42% drop in the fourth quarter of 2008, with a further decline expected. The General Manager of the Cameroon Development Corporation (CDC)

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told Pol/Econ Chief that rubber production would have to stop in several weeks, jeopardizing a great number of the company's 15,000 jobs. Rubber accounts for 1.5% of total Cameroonian exports.

18. (U) Coffee production dropped from 125,000 to around 30,000 tons in the past ten years and many farmers have switched out of the crop, largely in response to low world prices. While production may be rebounding to some extent, industry contacts are concerned that the demand for coffee may suffer from the slump in European purchasing power.

#### Investments

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19. (U) There is general concern that capital investment will be more difficult to find for a wide range of current and future projects. While a U.S.-led bauxite exploration investment is moving forward, U.S. cobalt mining company Geovic has downsized its staff and delayed its project by a year, largely because of the international financial climate. Australia's Sundance iron ore project has also drastically scaled down Cameroon operations. Some Cameroonians question Rio Tinto's continued ability to invest its Cameroonian aluminum plant ALUCAM. A British television company reportedly canceled a million dollar soccer programming contract with Cameroon for reasons attributed to the world economic situation. Managers at Cameroon's oil refinery SONARA say they have locked in financing for the near future but are concerned about raising international capital for expansion plans.

#### Some Big Sectors Untouched

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10, (U) Contacts in some food crop industries tell us they have not been affected by the global economic woes. Banana growers are expanding acreage and production, benefiting from duty free access to European markets provided under the 2007 Economic Partnership Agreement (EPA). Contacts at Dole and Delmonte said bananas are still viewed in Europe as cheap and in high demand. Palm oil production is growing and cannot

keep up with domestic demand but has been affected to some degree by rising world prices for spare parts and inputs. Cocoa exports are predicted to hold steady at about 180,000 tons/year. The head of the Cocoa and Coffee Exporters Association predicted cocoa prices would drop with demand in Europe as a result of the economic crisis. However, the General Manager of OlamCam, one of Cameroon's significant cocoa exporters, said that Cameroonian cocoa fills a niche that will not be seriously impacted by the world economic situation, especially given a large global deficit in cocoa.

Comment

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¶11. (SBU) A palpable, growing worry about the global economic crisis is much more evident now than a month ago. Douala is still bustling and the Littoral and South West regions are blessed with fertile land and large agricultural export infrastructure. Many Cameroonians live in the informal economy which is fairly insulated from the global economy. Nonetheless, the worries we heard during travels in these regions mirror heightened concerns expressed in other recent conversations in Yaounde. The IMF is concerned about world financial crisis' impact on the balance of payments and budget (ref B), reducing GDP growth projections downward to 3.3% in 2009 (slightly lower than prior predictions). An IMF team visiting Cameroon next week will be looking closely at this situation.

¶12. (SBU) It is not clear how much Finance Minister Essimi Menye grasps the dimension of the financial crisis. Some observers believe he has been in denial and he seems not to be very focused on the upcoming IMF visit. He recently commented to Pol/Econ Chief that the timber sector should "just leave those trees in the ground" and he offered no vision for how the government would tackle the current challenges. At the same time, he acknowledged to Pol/Econ Chief that the global crisis has hit Cameroon hard, noting a drop in revenues and commenting that the rubber sector is begging for a bailout in what could be a "real crisis".

¶13. (SBU) The timber, cotton, and rubber sectors employ hundreds of thousands of people and organized labor is

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becoming worried about the economy. Public sector workers in some sectors have recently been pressing for higher wages and more job security. There is the real danger that increased unemployment will exacerbate social tensions in a country already suffering from growing poverty and slow progress on democracy, with economic-related February 2008 riots still high on people's minds. With the largest economy and port in Central Africa and as a producer of food and refined oil for its neighbors, Cameroon's ability to manage the current challenges will impact the entire region.

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